

**EXHIBIT 2**



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February 26, 2008

**VIA US MAIL AND ELECTRONIC MAIL**

Thomas D. Cunningham  
Sidley Austin LLP  
One South Dearborn  
Chicago, Illinois 60603

**Re: Arbitration between CIC and Unity Fire (n/k/a Unitrin Preferred)**

Dear Tom:

We represent the interests of Unity Fire (n/k/a Unitrin Preferred Insurance Company), and SCOR Reinsurance Company as successor in interest to Unity Fire (collectively, "SCOR") under the cited Facultative Reinsurance Certificates (collectively, the "Contracts") in this matter. We have received the arbitration demand of Continental Insurance Co. ("CNA") issued pursuant to Paragraph 7 of the General Conditions of the Contracts.

SCOR believes that an irreconcilable difference of opinion has arisen in respect to the enforceability of the Contract against SCOR. SCOR will seek an award of no liability based upon various defenses, including, without limitation de facto novation, release and commutation. SCOR hereby reserves the right to present additional counter-demands and defenses.

As we advised via e-mail last Thursday, SCOR has appointed Martha Bannerman as its party-arbitrator in this matter. As you advised us by reply e-mail, CNA has appointed David Robb as its party arbitrator. At this point, the parties must appoint an umpire, but the arbitration clause is silent as to the procedure for doing so. We suggest that the parties each name five candidates, exchange their lists, and determine whether a common name appears (in which case that person would become the mutual, consensual choice) or whether a party finds a candidate named by the other to be acceptable. The goal would be to make a mutual appointment, so that neither party feels they have "lost the coin toss."

We also suggest that, to save time and provide uniformity in disclosures, the parties have their appointed arbitrators complete a questionnaire in the form attached (we will need to agree on a brief generic summary of the issues, which we have drafted for your consideration) and that the nominated umpire complete a questionnaire, as well, also in the form attached. Both forms have been adapted from the ARIAS Umpire Questionnaire.

I also enclose a copy of a draft agreed motion for entry of a restricting order. Please review and let us know whether you have any suggested changes to the motion. It is our intent to file this motion when we file our responsive pleadings on Friday.

Please understand that this letter is not intended to be, and so should not be construed as, a full or complete statement of SCOR's rights or defenses, all of which are reserved for explication at an appropriate time.



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Thanks and best wishes.

Very truly yours,

DLA Piper US LLP



Michael C. Kasdin

MCK:vb

Enclosures

cc: Maxine Verne  
Stephen W. Schwab  
Carl H. Poedtke III